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GENERAL

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1. Proposed settlement of Lend-Lease with Turkey--The State Department has referred to Embassy Ankara tentative recommendations for the settlement of Lend-Lease and surplus property with Turkey. These provide that: (a) Turkey pay for those Lend-Lease supplies in its possession that have a recognized civilian postwar utility; (b) Turkey pay for supplies retransferred after Lend-Lease was discontinued; (c) all other articles be retained by the Turkish armed forces without further payment, but subject to recapture rights; (d) Turkey purchase at present value all US surpluses in Turkey.

2. US and France to negotiate air transport agreement-- State Department and Civil Aeronautics Board representatives will soon visit France to assist Embassy Paris in the negotiation of a permanent air transport agreement. TWA is currently operating weekly flights although authorized to conduct daily service under an interim agreement. Pan-Am has not commenced service because of failure to secure French approval of its $295 trans-Atlantic rate.

3. US proposes civil air route through Budapest--Legation Budapest has delivered a note to the Hungarian Foreign Office which states that the US, as part of its plans to establish American international civil air routes, would like to have one of the "most important" routes pass through Budapest. This communication, transmitted at the suggestion of Hungarian Government, is helping the Hungarian Premier to resist Soviet pressure for a joint Soviet-Hungarian Aviation Company, exclusive in character.

EUROPE-AFRICA

4. GERMANY: US stand on forcible repatriations-- The War Department

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has authorized USFET to repatriate forcibly any displaced person in Germany whose government can substantiate the charge that he voluntarily aided the enemy. Refusal to be repatriated or acceptance of ordinary employment in German agriculture or industry will not, however, be considered grounds for forcible repatriation. Care is to be taken that the governments concerned do not abuse this procedure to obtain forcible repatriation of political opponents. Any case of repatriation to Yugoslavia should be cleared with the State Department. Since the US does not recognize incorporation of the Baltic States into the USSR, no Soviet requests for forcible repatriation of Balts will be complied with.

5. USSR: Soviet press distorts US Army trial-- Both MA and Embassy Moscow have requested full particulars of the US Army court-martial that acquitted an American soldier charged with the murder of a Soviet officer on an American train in Austria. A Tass Vienna dispatch, prominently carried in the Moscow press, distorted the facts and termed the US court's decision a flagrant miscarriage of justice. Embassy Moscow wishes to make a public rebuttal to the Soviet press.

6. USSR: German scientists work for USSR-- MA Moscow reports that Soviet research institutes are using the services of German scientists supervised by Soviet officials. The MA cites the specific example of 20 Soviet engineers sent to Berlin in military uniform to direct the work of 200 German scientists and engineers working on communications projects.

7. AUSTRIA: USSR offers position to German chemist-- Erhardt has learned from Foreign Minister Gruber that the Soviets have proposed to Friedrich Bergius that he assume direction for them in the USSR or elsewhere of an office to advise on production of synthetic gasoline and wood sugar. Bergius, a German by birth, won the Nobel Prize for his work under I.G. Farben on the development of benzene; he is now an Austrian citizen. Bergius is unwilling to undertake the Soviet assignment anywhere except in Vienna and has asked the advice of the Austrian Government as towhether he should accept it at all.

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9. VATICAN: No Papal Secretary of State will be appointed for sometime, the Pope has informed the US Charge at the Vatican in a private audience.

8. HUNGARY: Currency issue authorized --Schoenfeld reports that Voroshilov has authorized the Minister of Finance to issue one billion pengo denomination currency. In this reversal of his previous stand, Voroshilov's principal concern appeared to be the threatened cessation of production in reparations factories.

10. BULGARIA: US views on non-recognition-- Foreign Minister Stainov has told Barnes that he was not impressed with the US note outlining the US interpretation of the Moscow decision on Bulgaria. The note urged that the Bulgarian Government and the opposition find a mutually acceptable basis for participation by representatives of the oppostion parties, but that no pressure should be exerted on the opposition to nominate representatives without regard to the conditions of their participation in the Government. Barnes recommends that, despite the Soviet decision not to press for implementation of the US demands, the US adhere to its present policy of non-recognition. In the meantime, both the US and UK are planning to protest to the Soviet Government concerning Bulgaria's failure to meet reparations requirements, particularly the failure to ship food to Greece.

FAR EAST

11. CHINA: UK and USSR to be informed of Advisory Group action-- On 27 February the State Department instructed its representatives to advise the Soviet and UK Governments in confidence that, at China's request, the US expects shortly to open negotiations aimed at the establishment of a US Military Advisory Group to China with limited responsibilities.

12. N.E.I.: UK will not accept Indonesian independence-- US Embassy The Hague reports that Clark Kerr has informed Sjahrir that the British will not accept a grant of outright independence to the Indonesians as a condition to the present negotiations.

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13. INDOCHINA: Mediation proposed-- The Chinese Foreign Minister has indicated to Embassy Chungking that his Government would be willing to mediate between the French and the Annamese, if requested by both sides. He desires that the views of the Secretary of State be ascertained as to the possibility of joint Sino-American mediation.

14. INDOCHINA: Impending French operations-- The State Department's observer in Hanoi, quoting D'Argenlieu's political advisor, reports that French expeditionary forces with heavy armor are ready at Saigon to embark for Tonkin during the first week of March.

15. AUSTRALIA: Disestablishment of the Australia-New Guinea naval command-- will be discussed at a Pearl Harbor conference authorized by Admiral Towers. If results of the discussions are satisfactory, Towers requests authority to disestablish US Naval Forces Australia-New Guinea, as a command, on approximately 1 April.

THE AMERICAS

16. ECUADOR: Impending military coup -- Embassy Quito has been informed by a source "intimately connected with the group" headed by the army opposition leader, General Enriquez, that the group will initiate revolutionary activity within thirty days. The Embassy does not know whether the Government is aware of the plot.

17. VENEZUELA: Officers arrested-- Naval Attache Caracas reports that five Venezuelan officers, who had begun to distribute arms for a coup designed to oust the civilian element in the Government, were arrested on 26 February. Charge Dawson reports that he has been unable to confirm the imminent possibility of an outbreak, which he doubts would be successful, in any event.

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